GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:4254
ANSWERED ON:18.12.2001
DISINVESTMENT OF ITDC HOTELS
M.H. AMBAREESH

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Disinvestment Commission set up to suggest disinvestment of ITDC Hotels have recommended certain norms to be observed while disinvesting the Hotels;

(b) if so, the details thereof;

(c) whether the Government have not adhered to the suggestions while leasing out Hotel Ashok in Bangalore and Hassan; and

(d) if so, the reasons therefor?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a) & (b) The Disinvestment Commission in its 1st Report (February 1997) and its 5th Report (November 1997) had categorised India Tourism Development Corporation (ITDC) as a non-core sector company and recommended as under: -

(i) Hotels situated in prime locations like Delhi and Bangalore may be handed over to established hotel chains through a competitive bidding process to be run on a long term structured contract on Lease-cum-Management basis. The terms of contract and procedure for competitive bidding may be determined by the Standing Empowered Group (SEG) with the help of financial Advisers and Consultants.

(ii) Hotels in other locations may be demerged into separate corporate identities. Following the demerger, shares could be issued in these companies to the Government and other shareholders, if any, in exchange of ITDC Shares.The disinvestment in the new companies will be through sale of 100% Government share holdings in them. The SEG may again carry out this process with the help of Financial Advisers for proper valuation and terms of competitive bidding.

(iii) ITDC may continue to operate the business of duty free shops and travel and tours business subject to the viability of the operations.

(iv) As regards Ranchi Ashok Bihar Hotel Corporation and Utkal Ashok Hotel Corporation, both joint venture hotels between ITDC and Bihar State Tourism Development Corporation and Orissa Tourism Development Corporation respectively, the Commission recommended that as in the case of non-metro hotels of ITDC, in both these companies ITDC may fully disinvest its share holding in favour of a private entrepreneur through a transparent and competitive bidding process after undertaking a proper valuation exercise through a Financial Adviser. Since the lands have been obtained from the State Governments on certain terms and conditions, ITDC would need to negotiate and settle this issue with them prior to disinvestment.

(c) & (d) Government has implemented the disinvestment plan in respect of Hotel Ashok, Bangalore and Hotel Hassan Ashok in accordance with the recommendations of the Disinvestment Commission. Hotel Ashok Bangalore has been given on long term Lease-cum-Management contract. Hotel Ashok Hassan has been demerged from ITDC into Hassan Hotels Pvt Ltd and 100% Government shareholding therein has been disinvested through a competitive bidding process.